Massachusetts Office of International Trade and Investment Executive Summary 1985

Statement of Activities

Fiscal Year 1985

Massachusetts Office of International

Trade and Investment

I. Executive Summary

During its first year of operation the Massachusetts Office of International Trade and Investment initiated work in several areas:

- Export Development - Pilot export initiatives were launched in the product areas of photovoltaics, fiber optics, and packaging equipment and work was begun on medical devices and fish products.

- Export Finance - Investigation of export finance needs of smaller companies and the current availability of finance was undertaken by a task force representing the banking and small business communities.

- Foreign Investment Promotion - Promotion of Massachusetts as an investment site for foreign companies was continued, with special emphasis on Japan, Great Britain, West Germany, and Canada.

- Promotion of Trade with China - Trade links were established between Massachusetts companies and Guangdong (Canton) Province in the People's Republic of China. A Guangdong trade mission came to Massachusetts in September, 1984 and a Massachusetts trade mission visited China in March, 1985.

- Governor's Trade and Investment Mission to the Far East - Governor Dukakis led two groups of Massachusetts business representatives to Japan and China to explore new markets for Massachusetts companies, improve trade relations with the Far East, and inform Asian companies of investment opportunities in Massachusetts.

II. Origins and Objectives of the Massachusetts International Trade and Investment Program

Governor Dukakis created the Massachusetts Office of International Trade and Investment within the Executive Office of Economic Affairs in 1984 with the express objective of (1) assisting smaller Massachusetts companies expand their sales in overseas markets, and (2) encouraging foreign investors to choose Massachusetts as an investment location.

The trade and investment program is a key element in the state's long-term economic development strategy to enhance job creation, regional development, and the industrial and technological diversification of the state's economic base. Further, this strategy recognizes that Massachusetts is part of a global economy in which thousands of our companies, large and small, participate. Finally, the program demonstrates the state government's commitment to assist smaller companies identify sales opportunities in expanding world markets.

To help design this new program, the Governor established in May, 1984 the Massachusetts International Trade Council composed of representatives principally from private firms and trade organizations. Members of the MITC have participated actively in small task forces on specific product areas, such as photovoltaics, fiber optics, medical devices, traditional industries, fisheries, export finance, and foreign investment. The task forces have made major contributions in directing our pilot programs.

III. Key Activities in the 1984-85 Program

A. The Governor's Mission to the Far East, March, 1985

Governor Dukakis led a business mission to the People's Republic of China and Japan to help Massachusetts firms gain entry into these important markets. A second objective of the mission was to discuss with Japanese trade authorities remaining trade barriers in Japan that impede exports from Massachusetts companies.

- The trade mission to Guangdong Province in China resulted from the special cooperation agreement signed by Governor Dukakis and Governor Liang of Guangdong in November 1983. Following negotiations with the Office of International Trade and

Investment, specific product areas of interest to the Chinese authorities were identified. Guangdong sent a special trade investigation mission to Massachusetts in September, 1984 that met with over 20 Massachusetts firms in the designated product areas. Thereafter, the Chinese authorities invited nine firms to travel to Guangdong with Governor Dukakis in March, 1985 to carry their negotiations to the next stage.

The Governor and company representatives met with provincial authorities to negotiate specific trade agreements in such areas as chemical processing equipment, packaging equipment, measurement instruments, navigation equipment, medical devices, and photovoltaic systems. At the end of several days of negotiations, various forms of agreement were signed with seven of the nine participants. Among those agreements was a proposed trade exhibition of Guangdong goods to be displayed at the Eastern States Exposition in Springfield in the fall of 1985.

- In the trade mission to Japan, the Governor accompanied a group of small businesses to the "Made in USA" trade fair in Nagoya sponsored by the Japanese External Trade Organization (JETRO). Massachusetts' participation was organized by the Massachusetts Port Authority which introduced several Massachusetts firms to the Japanese market for the first time.

  The Massachusetts Office of International Trade and Investment joined forces with Massport and four other New England states on a New England exhibit at the "Made in USA" trade fair. Working together on a regional exhibit, the five states emphasized the various products and services offered in New England, as well as the economic and social factors that have made this region so strong.

  In Tokyo, Kyoto and Osaka, the Governor's mission met with Japanese government trade authorities, companies, financial institutions and the Japanese media. A key objective of those talks was to discuss existing Japanese trade barriers and their effects on many Massachusetts high tech industries

in such areas as telecommunications equipment and computer software. In meeting with MITI officials in Tokyo, the Governor discussed concrete cases of non-tariff barriers affecting Massachusetts' companies.

The Governor's delegation, which included representatives from Massachusetts high tech industries, universities, and financial institutions, participated in four major seminars, each attended by between 20 and 40 Japanese firms. The purpose of the seminars was to inform smaller and medium size Japanese companies of investment opportunities, particularly in Massachusetts' southern and western regions, and in its new Centers of Excellence, with their focus on emerging technologies. Private meetings with the top management of several larger Japanese firms were also conducted to follow up on expressions of interest by those companies in the Massachusetts economy.

B. The Export Development Program

The orientation of the state's export development activities over the past year has been to focus on several well-defined product areas with significant export potential in foreign markets. Other criteria for selecting product areas have generally included (1) the presence of a greater number of smaller companies, (2) geographical distribution throughout the state, (3) significant employment of Massachusetts residents, (4) a balance of traditional, high tech, and service industries. For each product area, a task force was set up, comprised of MITC members and individuals with relevant expertise in the product area in question.

- Photovoltaics

  The photovoltaics industry in Massachusetts was selected because of the competitive position of Massachusetts companies in worldwide photovoltaic development and the importance of export markets to the health of the industry. The program seeks to bring members of the Massachusetts industry together in a cooperative effort to investigate industry-wide means to develop export markets.

Members of the industry and the task forces reached a consensus that an industry-wide export strategy was needed to determine how the industry could jointly attack a problem common to all, namely to identify and establish contact with potential buyers in a timely manner. It was agreed among five industry participants, the Office of International Trade, and the Massachusetts Port Authority to jointly finance a four month study of the industry's export options.

Following competitive bidding, the State Street Trade Development Corporation was selected for the project. The State Street study recommended several joint activities to develop export markets, including a Market Leads Service, export sales assistance, and financial services.

The first stage of the recommendation, the Marketing Leads Service is soon to be implemented in the context of the Photovoltaic Center of Excellence.

- Fiber Optics

Massachusetts is a major center for the fiber optic industry. The telecommunications and data communications markets which these companies serve are growing at a rapid pace worldwide. Although foreign markets present many opportunities, most smaller firms have avoided them due to the high cost and complexity associated with export trade.

As a partial solution to the dilemma of the small firm, the high technology task force proposed the creation of an export trading company to be owned by Massachusetts fiber optic product manufacturers. This would be the first fiber optic export trading company formed in the U.S.

The export trading company would be positioned to address many of the opportunities, trade issues and competitive concerns of interest to Massachusetts firms. It would offer cost reduction through shared expenses as well as a variety of general international trade support functions.

The Office of International Trade has worked with more than thirty fiber optic firms in the state to formulate a program based on the interests expressed by many of these companies. The export trading company would address their needs and offer the same services at market value to outside firms. Currently a formal business plan is being developed which will be reviewed by potential investors.

- Converting and Packaging Equipment

Governor Dukakis' trip to Japan and the People's Republic of China provided the first step in the export development program for the packaging industry. Chinese officials indicated to the Office of International Trade the importance of packaging equipment to the development of local industry in Guangdong. As a consequence, a representative from the Massachusetts converting and packaging industry was invited by the Chinese to come with the Governor to Guangdong.

This resulted in the signing of a letter of intent to negotiate an agreement with the Guangzhou Municipal Packaging Company. To follow-up on this agreement, over 170 converting and packaging companies were invited to a briefing on trade possibilities with the People's Republic of China in May, 1985 to determine their interest in pursuing this initiative.

In June, a business plan employing a joint manufacturing effort will be presented to interested converting and packaging companies to sell to the PRC. This consorita approach, a first in the industry, will provide an export opportunity for companies that otherwise would be unable to access the Chinese market. The goal of this pilot program is to gain a foothold for Massachusetts companies in this sector in the People's Republic of China and other Asian countries, leading to contracts and increased sales.

- Medical Devices

For the medical equipment sector, a task force was formed shortly after the first International Trade Council meeting in May, 1984. With the assistance of task force members, a comprehensive listing of medical equipment manufacturers in the state was compiled and categorized by product manufactured. At the same time, extensive research concerning U.S. medical equipment manufacturers' competitive position vis-a-vis foreign markets was conducted.

In addition, growing markets by product type were analyzed over a five year period to identify those countries with the best market potential. This was then compared to the product composition of the Massachusetts industry to get a feel for those product areas where Massachusetts companies were potentially competitive. Based on this preliminary research, the task force decided to concentrate its initial efforts on those small and medium size medical equipment companies producing electro-medical equipment.

In early October a mail questionnaire was developed by the task force and sent to the companies within the electro-medical subsector. It was hoped that the questionnaire would provide information on the export experience of the sector companies and help identify common export problems and needs. Due to the low rate of return on the questionnaire, the decision was made to schedule meetings with each of the sector companies and conduct face-to-face interviews with company officials wherever possible.

The interview process is now nearing completion and the medical equipment task force is scheduled to meet in mid-June to review the information obtained and select the most appropriate strategy.

- Fish Products

During the past year, a task force comprised of leading experts in the fishing industry has reviewed potential programs to assist fisherman and processors gain better access to foreign

markets. Included in this discussion were programs relating to increased marketing of quality Massachusetts fish products, greater exports of underutilized species, and development of state-of-the-art surimi processing.

Due to the difficulty in projecting the supply of various fish products and the decrease in landings during the past year, the pilot program has shifted its focus slightly to work with other ongoing projects designed to improve the condition of the industry.

The fish products pilot program will continue working with industry representatives in its efforts to enhance the viability of the fishing industry in Massachusetts and to monitor foreign markets of interest to Massachusetts products.

C. Export Finance

Over the past year, the Office of International Trade has been exploring the need for export finance for smaller Massachusetts firms. An export finance task force, comprised of representatives from the major banks and small businesses has been analyzing two key issues; first, whether there is a clearly defined need for additional sources of export finance for small companies, and second, if so, how should these resources be provided.

To help resolve these issues, the Executive Office of Economic Affairs contracted with First Washington Associates to assess the need for export finance. The study concluded that Massachusetts firms need assistance in market and product information and foreign sales expertise before they could determine how important the financial needs are.

Clearly, companies need better information about available export services to bring them into world markets. In the meantime, the Office of International Trade will continue working with the banking and small business representatives on a structure for insuring that companies do not lose export opportunities for lack of financial support.

Further, the Office will continue surveying the types of export finance programs offered by other states (currently, 14 states have export finance programs) to assess their

effectiveness. With the proposed federal cutbacks to the Export-Import Bank and the Small Business Administration, Massachusetts may have an even stronger role to play in support of our small businesses who wish to export.

D. Foreign Investment Promotion

Dating back to the former Massachusetts Foreign Business Council in 1978, the Commonwealth has undertaken various promotional efforts to attract foreign firms into Massachusetts. With the advent of the new program, Governor Dukakis instructed the Office of International Trade to reinforce these efforts, providing a more active outreach to foreign investors.

The flows of foreign capital into the U.S. in the form of manufacturing, research and development, and service industry investment have been enormous in recent years. Over half of the fifty states have programs to attract these investors and most have overseas offices to contact and follow-up with investor candidates.

The foreign investment task force, established to advise the Office of International Trade and Investment on program strategy, recommended two lines of action: first, that a small number of countries be focussed on so as to concentrate limited resources in an effective manner, and second that maximum use be made of the existing Massachusetts networks already in place in these countries.

At the present time the principal target countries are the United Kingdom, West Germany, Japan and Canada. The Japanese initiative is already well underway as a result of Governor Dukakis' mission to Japan in March, 1985. The British, German, and Canadian programs are currently being organized in cooperation with specific overseas groups.

The foreign investment program relies on important contributions by private companies, banking, accounting, legal firms, universities, and quasi-public agencies. Considerable use is made of our resident foreign community to assist the Office in identifying specific foreign investors.

The program has several objectives. First, it is designed to attract an ever-increasing number of foreign companies to the state to establish Massachusetts as one of the nation's leading international centers for business and technology. Second, investment opportunities in the southeast, central, and western parts of the state are being particularly emphasized. Third, investments in the state's new Centers of Excellence in such areas as polymers and biotechnology are being targeted.